

Message Text

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ORIGIN EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 EA-10 ISO-00 COME-00 INT-05

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FM SECSTATE WASHDC

TO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY JAKARTA

AMEMBASSY KINSHASA

AMEMBASSY KUALA LUMPUR

AMEMBASSY LAGOS

AMEMBASSY LA PAZ

AMEMBASSY LONDON

USLO PEKING

UNCLAS STATE 158703

E.O. 11652: N/A

TAGS: EMIN, ETRD

SUBJECT: TIN: US GSA TIN SALES

REF: LA PAZ 4305 (NOTAL)

1. REFTEL BEING REPEATED TO ADDRESSEE POSTS FOR INFO.
2. RE DATA REQUESTED PARA THREE REFTEL, US GSA TIN SALES IN APRIL, MAY, JUNE 1975 TOTALED 25 RPT 25 LONG TONS (LT), AS FOLLOWS: FIVE LT GRADE B TIN SOLD APRIL 10 AT 3.35 DOLLARS UNCLASSIFIED

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PER POUND. OTHER SALES ALL GRADE A TIN, AS FOLLOWS: FIVE

LT SOLD APRIL 14 AT 3.35 DOLLARS PER LB; FIVE LT SOLD MAY 9 AT 3.31 DOLLARS PER LB; FIVE LT SOLD MAY 28 AT 3.28 DOLLARS PER LB; AND FIVE LT SOLD JUNE 27 AT 3.23 DOLLARS PER LB. GSA SALES OF GRADE A TIN CURRENTLY ARE RESTRICTED FOR US CONSUMPTION ONLY, WHILE OTHER GRADES MAY BE CONSUMED DOMESTICALLY OR EXPORTED, AS BUYER WISHES. FOR GRADE B TIN THERE IS STANDARD TWO-AND-A-HALF CENT PER POUND DISCOUNT FROM SALE PRICE ANNOUNCED DAILY BY GSA FOR GRADE A TIN.

3. RE STATEMENT REPORTED PARA ONE REFTEL THAT GSA TIN SALES IN 1973-74 HAVE HAD EFFECT OF DEPRESSING PRESENT TIN PRICES, DEPARTMENT WOULD LIKE TO POINT OUT, AS IT HAS IN PAST, THAT SUBSTANTIAL GSA TIN SALES DURING 1973-74 HAD EFFECT OF

MODERATING SPIRALING TIN PRICES THAT REACHED (IN NEW YORK MARKET) RECORD HIGH IN EXCESS OF 4.70 DOLLARS PER POUND IN JUNE 1974. DURING PERIOD OCTOBER 1973-NOVEMBER 1974 WORLD TIN PRICES (AS MEASURED BY AVERAGE MONTHLY PENANG PRICE) WERE HIGHER THAN ITC CEILING PRICE FOR TIN. ITC'S BUFFER STOCK WAS VIRTUALLY EXHAUSTED DURING SECOND HALF OF 1974 (OVER 9,000 METRIC TONS SOLD, WITH BETWEEN 122 AND 142 MT IN STOCK DURING MOST OF 1974) IN UNSUCCESSFUL EFFORT TO DEFEND CEILING PRICE, WHEREUPON GSA SALES BECAME, IN EFFECT, BUFFER STOCK SALES AND HELPED KEEPING TIN PRICES FROM GOING EVEN HIGHER THAN THEY DID. ON NUMBER OF OCCASIONS, RESPONSIBLE TIN PRODUCERS HAVE PRIVATELY COMMENTED FAVORABLY TO US ON GSA TIN SALES DURING THIS PERIOD, NOTING THAT EXCESSIVE TIN PRICES NOT IN BEST INTERESTS OF PRODUCERS, SINCE THEY SPUR SUBSTITUTION PROGRAMS. IT ALSO USEFUL TO NOTE THAT HAD THERE BEEN ANY SUBSTANTIAL AMOUNT OF TIN IN BUFFER STOCK DURING 1974, UNDER TERMS OF INTERNATIONAL TIN AGREEMENT THIS WOULD HAVE HAD TO BE OFFERED FOR SALE IN ORDER TO DEFEND CEILING PRICE.

4. PRESENT DEPRESSED TIN PRICE (WHICH IS STILL HIGHER THAN PRICES THAT PREVAILED PRIOR TO EARLY 1974) IS PRIMARILY RESULT OF ECONOMIC RECESSION IN INDUSTRIAL COUNTRIES WHICH NOT ONLY HAS REDUCED CURRENT CONSUMPTION OF TIN BUT HAS ALSO TENDED TO CREATE CASH-FLOW PROBLEMS FOR CONSUMING

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INDUSTRIES WHICH RESULTS IN DRAW-DOWNS OF RAW MATERIAL STOCKS BELOW NORMAL LEVELS. MARKET "OVERHANG" IS IN OUR VIEW MORE PROPERLY ASCRIBED TO THIS FACTOR THAN TO GSA SALES DURING EARLIER PEAK DEMAND PERIOD. SISCO

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